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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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DIVISION OF MARKET REGULATION

SEC FILE NUMBER
8-35021

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING

9/1/03
MM/DD/YY

AND ENDING

8/31/04
MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BEERBAUM + BEERBAUM

Financial + Insurance Services

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

5881 ROBLAR RD

(No. and Street)

Petaluma

(City)

CA

(State)

94952

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

HANS N. BEERBAUM

(707) 664-8535

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KEVIN BREARD, CPA

(Name - if individual, state last, first, middle name)

9010 CORBIN AVE, Suite 7

(Address)

NORTHridge

(City)

CALIFORNIA

(State)

91324

(Zip Code)

CHECK ONE

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

DEC 01 2004

B THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

State of California }
County of Sonoma }

OATH OR AFFIRMATION

I, HANS H. BEERBAUM, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BEERBAUM BEERBAUM, as of 8/31, 2000, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Subscribed and sworn before me
this 20th day of Oct., 2004.

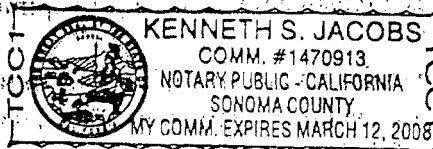
[Signature]

Signature

Pres.

Title

[Signature]
Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

Board of Directors

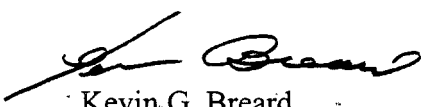
Beerbaum & Beerbaum Financial and Insurance Services, Inc.

I have audited the accompanying statement of financial condition of Beerbaum & Beerbaum Financial and Insurance Services, Inc. as of August 31, 2004, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beerbaum & Beerbaum Financial and Insurance Services, Inc. as of August 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.


Kevin G. Breard
Certified Public Accountant

Northridge, California
September 27, 2004

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Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Statement of Financial Condition
August 31, 2004

Assets

Cash and cash equivalents	\$ 338
Furniture and equipment, net of accumulated depreciation of \$55,677	4,422
Receivable from related party	10,925
Cash surrender value of life insurance	<u>101,255</u>
Total assets	<u>\$ 116,940</u>

Liabilities & Stockholders' Equity

Liabilities

Credit line payable	\$ 18,679
Payroll taxes payable	1,166
Income taxes payable	233
Pension payable	8,213
Life insurance payable	<u>9,133</u>
Total liabilities	37,424

Stockholders' equity

Common stock, \$0.50 par value; 10,000 shares authorized; 1,000 issued and outstanding	500
Additional paid-in capital	18,051
Retained earnings	<u>60,965</u>
Total stockholders' equity	<u>79,516</u>

Total liabilities & stockholders' equity	<u>\$ 116,940</u>
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The accompanying notes are an integral part of these financial statements.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Statement of Income
For the Year Ended August 31, 2004

Revenues

Commissions	\$ 132,207
Translation income	30,746
Gains (losses) on cash surrender value of life insurance	7,673
Interest and dividends	1,505
Other income	<u>948</u>

Total revenue 173,079

Expenses

Employee compensation and benefits	66,777
Commissions	45,406
Communications	1,447
Interest	1,966
Occupancy and equipment rental	1,381
Taxes, other than income	6,762
Other expenses	<u>43,822</u>

Total expenses 167,561

Income before income tax provision 5,518

Total income tax provision 1,033

Net income \$ 4,485

The accompanying notes are an integral part of these financial statements.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Statement of Changes in Stockholders' Equity
For the Year Ended August 31, 2004

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, at August 31, 2003	\$ 500	\$ 18,051	\$ 56,480	\$ 75,031
Net income	<u>—</u>	<u>—</u>	<u>4,485</u>	<u>4,485</u>
Balance, at August 31, 2004	<u>\$ 500</u>	<u>\$ 18,051</u>	<u>\$ 60,965</u>	<u>\$ 79,516</u>

The accompanying notes are an integral part of these financial statements.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Statement of Changes in Cash Flows
For the Year Ended August 31, 2004

Cash flow from operating activities

Net income		\$ 4,485
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation	\$ 4,328	
(Increase) decrease in:		
Prepaid income taxes	341	
Cash surrender value of life insurance	(6,259)	
(Decrease) increase in:		
Accounts payable	1,166	
Income taxes payable	(655)	
Pension payable	<u>(382)</u>	
Total adjustments		<u>(1,461)</u>
Net cash and cash equivalents provided by operating activities		3,024

Cash flows from investing activities

-

Cash flows from financing activities

Loan collected from related party	2,349	
Proceeds from issuance of bank line of credit	3,746	
Repayment of bank overdraft	(3,723)	
Repayment of loan payable related party	(3,443)	
Repayment of loan from life insurance	<u>(1,647)</u>	
Net cash and cash equivalents used in financing activities		<u>(2,718)</u>

Net increase in cash and cash equivalents 306

Cash and cash equivalents at the beginning of the year 32

Cash and cash equivalents at the end of the year \$ 338

Supplemental disclosure of cash flow information

Cash paid during the period ended August 31, 2004

Income taxes	\$ 1,346
Interest	\$ -

The accompanying notes are an integral part of these financial statements.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Notes to Financial Statements
August 31, 2004

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Beerbaum & Beerbaum Financial and Insurance Services, Inc. (the "Company") was formed as a California Corporation in September of 1983. As a broker/dealer in the securities industry the Company sells mutual funds, variable annuities and insurances. The Company also does non-securities related business to a very limited number of customers, translating Russian science journal to English. The Company is a member of the National Association of Securities Dealers Regulation (NASDR), and the Securities Investors Protection Corporation (SIPC).

The Company earned approximately 18% of its total revenue from non-securities based translation income.

Summary of Significant Accounting Principles

The presentation of financial statements in conformity with accounting principles generally accepted in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Property and equipment are depreciated over their estimated useful lives ranging from five (5) to (7) years by the straight-line method.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Notes to Financial Statements
August 31, 2004

Note 2: PROPERTY AND EQUIPMENT, NET

The furniture, and equipment are recorded at cost.

		Depreciable <u>Life Years</u>
Furniture & fixtures	\$ 2,950	7
Equipment	40,932	5
Vehicle	<u>16,217</u>	5
Subtotal	60,099	
Less accumulated depreciation	<u>(55,677)</u>	
Property and equipment, net	<u><u>\$ 4,422</u></u>	

Depreciation expense for the year ended August 31, 2004 was \$4,328.

Note 3: CASH SURRENDER VALUE OF LIFE INSURANCE

The Company carries several life insurance policies on its books. These policies are owned by the Company, with the Company listed as the beneficiary. These policies are carried at their cash surrender value, with resulting gains and losses included in revenues. The face value of the life insurance policies at August 31, 2004, was \$756,489, covering the officers and key personnel.

At August 31, 2004 the cash surrender value of the life insurance policies was \$101,255.

At August 31, 2004 there was also a loan from one of the life insurance policies of \$9,133. The cash surrender value of \$43,395, on that policy, serves as collateral for the loan.

Note 4: INCOME TAXES

For the year ended August 31, 2004, the Company recorded the following tax provision.

Current Federal Taxes	\$ 233
Current State Taxes	<u>800</u>
Total income tax provision	<u><u>\$ 1,033</u></u>

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Notes to Financial Statements
August 31, 2004

Note 5: PENSION PLAN

The Company maintains an employee profit sharing plan. The contributions are based upon a percentage of gross allowable compensation for eligible employees limited to a maximum of 15%. For the year ended August 31, 2004 the Company contributed \$8,213 to the plan.

Note 6: RELATED PARTY TRANSACTIONS

The Company has loaned money to its shareholders. At August 31, 2004 the receivable from the shareholders was \$10,925. This amount is non-interest bearing & due on demand.

Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation 46, *Consolidation of Variable Interest Entities*. In general, a variable interest entity is a corporation, partnership, trust, or any legal structure used for business purposes that either (a) does not have interest entity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to transactions entered into prior to February 1, 2003 in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of the Interpretation on July 1, 2003 did not have a material impact on the Company's financial statements.

In April 2003, the FASB issued SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The Statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Notes to Financial Statements
August 31, 2004

Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

In May 2003, The FASB issued SFAS 150, *Accounting for Certain Financial Instruments with Characteristic of both Liabilities and Equity*. The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer clarify a financial instrument that is within its scope as a liability (or an asset in some circumstances). It is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

Note 8: COMPUTATION OF NET CAPITAL

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on August 31, 2004, the Company had net capital of \$64,169, which was \$59,169 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$37,424) to net capital was 0.58 to 1, which is less than the 15 to 1 maximum ratio allowed.

Note 9: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There was a material difference between the computation of net capital under net capital Sec. Rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule		\$ 66,323
Adjustments:		
Non allowable assets	\$ (6,477)	
Retained earnings	<u>4,323</u>	
Total adjustments		<u>(2,154)</u>
Net capital per audited statements		<u>\$ 64,169</u>

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of August 31, 2004

Computation of net capital

Stockholders' equity

Common stock	\$ 500	
Additional paid-in capital	18,051	
Retained earnings	<u>60,965</u>	
Total stockholders' equity		\$ 79,516

Less: Non allowable assets:

Equipment, net	(4,422)	
Receivable from related party	<u>(10,925)</u>	
Net adjustments to capital		<u>(15,347)</u>

Net Capital **64,169**

Computation of net capital requirements

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$ 2,495
Minimum dollar net capital required	\$ 5,000

Net capital required (greater of above) 5,000

Excess net capital \$ 59,169

Percentage of aggregate indebtedness to net capital 0.58:1

There was a difference of \$2,154 between net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated August 31, 2004. See Note 9.

See independent auditor's report.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of August 31, 2004

A computation of reserve requirement is not applicable to Beerbaum & Beerbaum Financial and Insurance Services, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (1).

See independent auditor's report.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of August 31, 2004

Information relating to possession or control requirements is not applicable to Beerbaum & Beerbaum Financial and Insurance Services, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (1).

See independent auditor's report.

Beerbaum & Beerbaum Financial and Insurance Services, Inc.

Supplementary Accountant's Report

on Internal Accounting Control

Report Pursuant to 17a-5

For the Year Ended August 31, 2004

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Stockholder of
Beerbaum & Beerbaum Financial and Insurance Services, Inc.

In planning and performing my audit of the financial statements and supplemental schedules of Beerbaum & Beerbaum Financial and Insurance Services, Inc. for the year ended August 31, 2004, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures followed by Beerbaum & Beerbaum Financial and Insurance Services, Inc. including tests of such practices and procedures that I considered relevant to objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control structure and the practice and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.


Kevin G. Breard
Certified Public Accountant

Northridge, California
September 27, 2004